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EXECUTIVE COMMITTEE OF THE
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FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS
AND REPORTS OF THE BOARD OF AUDITORS

Report of the Advisory Committee on Administrative
and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions met with members of the Audit Operations Committee in September 1991 and discussed with them the following financial reports and audited financial statements submitted by Board to the General Assembly at its forty-seventh session:- the United Nations, the International Trade Centre (ITC); the United Nations University (UNU); the United Nations Children's Fund (UNICEF); the United Nations Development Programme (UNDP); the United Nations Population Fund (UNFPA; the United Nations Environment Programme (UNEP); the United Nations Habitat and Human Settlements Foundation (UNHHSF) for the biennium ended 31 December 1991.

2. In addition, the Committee examined the Board's reports on the voluntary funds administered by the United Nations High Commissioner for Refugees (UNHCR).

United Nations High Commissioner for Refugees

"145. Pursuant to paragraph 17 (a) of General Assembly resolution 46/183, the Board has reviewed measures taken to implement its prior recommendations in its audit report on UNHCR for the year ended 31 December 1990 (A/46/5/Add.5).

The measures taken by the administration and the comments of the Board thereon are indicated in annex I to the Board's report.

146. The Board's recommendations for the year 1991 are summarized in paragraph 7 (a) to (k) of the report and its findings in paragraphs 8 to 19. Part I relates to the UNHCR financial statements (paras. 20 to 15) and part II to management issues (paras. 36 to 82). As regards UNHCR's liquidity position (see annex II), the Committee notes that contributions to UNHCR reached an unprecedented level of $ 903.8 million in 1991 compared with $ 582.9 million in 1990 (para. 26). In this connection, the Committee endorses the Board's recommendation that the projects established in response to emergency situations should be effectively monitored and carefully reviewed to confirm their continuing relevance so that timely action can be taken to terminate those projects whose objectives have been accomplished and sustained (para. 27).

147. The Committee expresses its concern that UNHCR field offices could not keep pace with the recording and reporting of the field office inventory and as a result the inventory value of non-expendable property has been understated (paras. 29 and 30). The Committee concurs in the Board's recommendation that there is an urgent need for stringent inventory monitoring as required by General Assembly resolution 46/183 and that timely action should be taken on this question (see para. 41 above).

148. The Committee notes the Board's finding (para. 33) that the reported outstanding pledges and in-kind contributions totalling $ 164.1 million do not reflect the actual amounts because not all in-kind pledges were processed prior tothe finalization of the financial statements in view of the UNHCR policy that pledges of in-kind contributions are recorded as delivered only upon confirmation of receipt by field offices. The Committee concurs in the Board's recommendation (para. 33) that every effort should be made to ensure the timely processing at UNHCR headquarters of all changes in the status of in-kind pledges so that they will be accurately reflected in the year-end accounts; furthermore, the reporting of receipt of in-kind contributions should be expedited by field offices to facilitate the reimbursement by donors.

149. The Committee expresses its concern that there were a number of financial irregularities in a UNHCR field office, namely a case of mismanagement and misappropriation of funds amounting to $ 689,359 (paras. 36 to 41). Upon inquiry, the Committee was informed that "the loss through inflation of princes" estimated at $ 129,231 resulted from the purchase of items which could have been obtained at lower rates on the local market. The Committee recalls that in its last report (A/46/510, para. 18) it endorsed the Board's recommendation that existing organizational arrangements and procedures for the management of cash resources in field offices should be strengthened and personal responsibility for losses re-emphasized. Considering that the investigation in this case took place in October 1991, the Committee concurs in the Board's recommendation that UNHCR should take appropriate and prompt action to recover the losses incurred to the extent possible and improve the internal budgetary control in field offices, including the placement of qualified staff.

150. In this connection, the Committee was informed that the misappropriated funds have not been recovered so far and the staff members involved had resigned and were living in a third country. The Committee is of the view that every effort should be made to recover the amounts involved and in other cases to proceed as recommended in paragraph 53 above.

151. The Committee shares the Board's concern about unsatisfactory expenditure monitoring and control under programme management (paras. 43 to 48); for example, a regional UNHCR office authorized the commencement of a transport contract with a proposed budget of $ 5.8 million before seeking headquarters approval (para. 43). The Board concluded that the services provided by a contractor were not properly recorded and monitored to ensure the efficient utilization of funds and expressed its concern about the lapses in the administration of project funds. The Committee endorses the Board's recommendation that urgent action needs to be taken to improve financial control in regional and field offices and to re-emphasize the personal responsibility of staff and their financial accountability under the Financial Regulations of the United Nations.

152 As to the acceptance of a contribution by UNHCR with an unfavourable clause, the Committee reiterates the Board's recommendation that UNHCR is obliged to ensure that voluntary contributions are accepted and utilized in accordance with the relevant provisions of the Financial Regulations of the United Nations, financial rules for voluntary funds, and, where applicable, United Nations Staff Regulations and Staff Rules (para. 51).

153. The Committee was very concerned that a country delayed the release of UNHCR funds in the amounts of $ 1.5 million and $ 1.8 million to implementing agencies for several months and as a result some non-governmental organizations were forced to suspend non-essential services (para. 53). The Committee endorses the Board's recommendation (para. 54) that whenever applicable, UNHCR should enter into a tripartite agreement on project implementation with the host country concerned and non-governmental organizations to ensure the release of funds directly to the agencies involved for timely project implementation. The Committee therefore requests UNHCR to work out acceptable solutions with Governments to the full satisfaction of both and to resolve this outstanding matter effectively. In this connection, the Committee concurs in the Board's view (para. 56) that UNHCR as the funding organization should be able to establish procedures that would strengthen internal controls and improve the quality of its programme.

154. With regard to the delayed closure of projects, the Committee trusts that UNHCR will take appropriate measures to ensure that field offices and implementing partners will in future submit reports in time to enhance monitoring and implementation of project activities, as recommended by the Board (para. 61). The Committee further recalls its recommendation in its last report (A/46/510, para. 20) that streamlining of reporting procedures would not only make the process more cost-effective, but would also make it easier for implementing partners to comply with.

155. With regard to control of non-expendable property, the Committee endorses the Board's recommendation that disposal of UNHCR property through donation should conform to existing procedures and UNHCR should take appropriate measures that it be carried out within a short period of time to yield reasonable cost-recovery income (para. 70).

156. As regards UNHCR losses of non-expendable property in crisis situations, the Board recalls its recommendation in its last report (A/46/5/Add.5) that the responsibility or the intervention of the host Government should be considered and written into the standard agreement with host countries to provide adequate protection for UNHCR property in crisis situations, bearing in mind that the current insurance coverage does not extend to situations of war and civil disturbances (paras. 73 and 75).

157. In this connection, the Committee notes that non-expendable property amounting to $ 2,754,519 had to be written off during 1991 as a result of disappearance or seizure of non-expendable property due to civil disturbances (para. 81). The Committee requests that the Board indicate in its next report the losses that could have been prevented through more effective internal control. Furthermore, the Committee shares the Board's concern about the lack of security of UNHCR property, in particular in crisis situations, and recommends that UNHCR consider the Board's proposal to make the successor authorities liable for the payment of reasonable reparations in countries where UNHCR continues its operations or programmes (para. 75). The Committee also recommends that UNHCR maintain adequate and up-to-date control records.

158. The Committee had an exchange of views with the representatives of the High Commissioner at its current session when it reviewed the High Commissioner's report on UNHCR activities for 1991-1992 and 1993 budget estimates. In this connection, the Committee was informed that at present over 55 per cent of UNHCR funds are being disbursed by implementing partners. The representatives of the High Commissioner stated that in view of the increasing scope and complexity of UNHCR activities, its larger reliance on implementing agencies and UNHCR's more operational role in programme activities, there was an urgent need to strengthen the audit functions through the establishment of a well organized audit unit for UNHCR within the Internal Audit Division (IAD) in Geneva. The Committee was informed that UNHCR looked to IAD for greater coverage of its activities by a separate audit team to cover the short- and long-term needs of UNHCR, taking into account the increasing workload of UNHCR.

159. Considering the large increase in UNHCR activities and programme needs projected at $ 1,083.8 million for 1992, the complexity of new programmes and UNHCR's reliance on implementing partners as well as the number of reported irregularities, the Advisory Committee requests the Secretary-General and the High Commissioner to implement the Board's recommendations in the manner to be agreed between the Secretary-General and the High Commissioner."